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USAID/LEBANON LEBANON INDUSTRY VALUE CHAIN DEVELOPMENT (LIVCD) PROJECT

LIVCD QUARTERLY PROGRESS REPORT
APRIL 1ST TO JUNE 30TH, 2013

JULY 2013

This publication was produced for review by the United States Agency for International Development.

It was prepared by DAI.

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INTRODUCTION

1.1 PROGRAM OVERVIEW AND OBJECTIVES

The LIVCD Project aims to increase the competitiveness of selected value chains. It will expand the number of Micro and Small and Medium Enterprises (MSMEs) that can compete in selected markets; improve linkages between those firms and other actors throughout the value chain; increase the gross value of products and services in local and export markets, and expand exports. The net effect of these activities will contribute to improved economic stability and food security for Lebanon, especially in rural areas, and decrease migration from rural to urban areas. Building on recent support to the rural sector through agricultural and other related economic development projects, LIVCD will partner with local private sector companies to select value chains that have the potential to compete in regional and international markets. It is expected that by the end of the project, as a result of project interventions throughout Lebanon there will be:

- A minimum of seven fully functioning, competitive value chains.
- An increase of at least 700 businesses or micro-enterprises benefiting from horizontal and vertical linkages.
- At least 12,000 small and medium commercial growers benefiting from the dissemination of improved production and post-harvest technologies.
- At least 30 new export markets, niche markets, or distribution channels for selected value chain products.
- An annual increase of at least 10 percent in the volume and value of exported agricultural products of selected value chains for each value chain. If, for some value chains actual and potential export is limited, displacing imports with domestic production may be considered.

1.2 OVERVIEW OF QUARTERLY REPORT

This third quarterly report documents project activities from April 1st to June 30th, 2013.

Section One describes the work plan preparation phase. During this quarter, LIVCD finalized the selection of the value chains initiated in December 2012, and completed the work plan for the final eight selected value chains and four cross-cutting components. LIVCD also held several stakeholder meetings and workshops to set priorities for the implementation phase of the

project. Stakeholder who participated in the meeting and workshops were producers, farmers, syndicates, businesses, technical experts, and consultants.

During the quarter, the Project also began implementing value chain activities targeting Lebanese communities impacted by the Syrian crisis per USAID's request. LIVCD submitted several proposals to USAID under the existing scope of work, aimed at increasing income of targeted communities, detailed in this report.

Section two summarizes administrative operations including recruitment and major procurements, while **Section Three** summarizes key deliverables shared with USAID. **Section Four** examines the emerging challenges and opportunities from this quarter's implementation that may affect how the Life of Project and 18-month Work Plan strategies and activities will be carried out in ensuing quarters. Finally, **Section Five** provides an overview of the key activities and expected results for next quarter's implementation, in particular the implementation of upgrading strategies for the value chains.

1.0 WORK PLAN PREPARATION PHASE

2.1 VALUE CHAIN SELECTION

LIVCD submitted the final assessment reports to USAID during the quarter, as well as the final synthesis report and worked in close coordination with the COR to document the final value chain selections. Ultimately, LIVCD sent a recommendation to USAID on May 21st with the final list of eight value chains for project intervention, and received approval to initiate work on these value chains, ending the initial assessment phase of the project. On May 23rd, LIVCD presented the project to the USAID Mission Director and other USAID staff at the US Embassy. The value chains selected for, pending the approval of the Year 1 and 2 Work Plan, include the following:

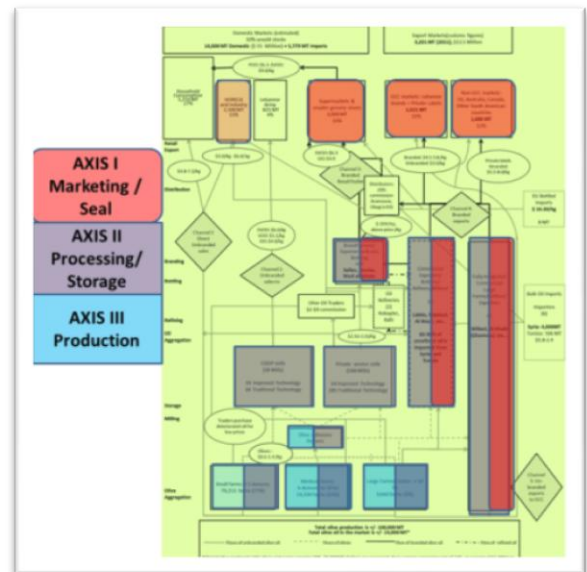
1. **Grapes:** LIVCD work in this value chain has the opportunity to greatly increase exports, especially to capitalize on small but stable exports to high value markets. The goal is to increase volumes of high quality grapes for export through linking small and medium scale farmers to larger farmers and exporters.
2. **Rural Tourism:** The natural beauty and cultural and religious heritage of rural Lebanon is a resource that is not currently utilized well. LIVCD will focus on stakeholders at all levels of the economy to establish the necessary links and investments to develop and increase the value to the rural population from increased tourism. This work will include handicrafts production and marketing. The target markets for rural tourism products and packages will be Lebanese urbanites, the Lebanese Diaspora and foreigners. LIVCD will also leverage past USAID investments in this value chain.
3. **Processed Foods:** Lebanese cuisine is a great asset. Internationally, Lebanese cuisine is perceived as good and healthy food. LIVCD has chosen to work in the processed foods value chain because there is high potential for exports of existing products and there is the possibility to develop new products for the export market. This is a large value chain. Work in this sector will target small, medium and large processors, and will also focus on improving ties between processors and the farmers who provide raw material.

4. **Floriculture:** The LIVCD team has identified opportunities to improve and strengthen the floriculture value chain in Lebanon through increasing the volume and quality of flowers produced, creating direct linkages between farmers and retailers in domestic and international markets that limit the control of wholesalers. LIVCD will also look at the possibility of introducing distinct, indigenous flower species into commercial channels that will boost the image of the Lebanese flower industry and support price premiums.
5. **Rural Basket of Products:** The rural basket of products includes honey, Lebanese thyme, free range eggs, and pine nuts. Work on these products can provide poorer segments of the rural sector with opportunities to increase incomes and add jobs without heavy capital investments. Honey in particular is a value chain that LIVCD believes can improve the livelihoods of up to 3,000 families all over Lebanon. The value chain may also include other products in the future. For example, as the DHAİM Project phases out, LIVCD may be able to incorporate such small scale products as lettuce or other herbs and spices, with or without greenhouses. This value chain is structured to give the LIVCD Team flexibility to add future items as needed.
6. **Stone fruits:** LIVCD will initially work in cherries and avocados. The LIVCD Team intends to assist stakeholders in this value chain to become recognized as a reliable and high quality source of sweet cherries by regional importers. LIVCD interventions will focus on improving production and post-harvest practices to extend the marketing season. It will also focus on investments in hydro-cooling and other infrastructure to extend shelf life. Avocados are a relatively new crop in Lebanon, but already international demand exceeds supply. LIVCD will work with small, medium and large farmers to produce larger quantities of high quality avocados for export and link them to exporters and importers.
7. **Pome fruits:** LIVCD will work with apples and pears. Lebanese farmers and exporters export large quantities of both these products. However, exports tend to be to lower value markets, such as Egypt. LIVCD will work with stakeholders in this value chain to increase the quantity of Grade A produce in order to capture a larger market share of higher value markets in the Arab Gulf.
8. **Olive oil:** In the past several years there has been significant investment in the olive oil sector on behalf of donors. LIVCD's intervention aims to build on these investments to increase the consumption and sales of Lebanese olive oil domestically and internationally through the adoption of new labelling schemes certifying quality and perhaps origin. Promotional and advertising campaigns will accompany the launch and usage of such labels—leading to improved market conditions that will raise the volume

of Lebanese olive oil sold into both the domestic bottled and branded export market segments. This increase in demand for higher-quality Lebanese oil from commercial actors subject to international norms will strengthen vertical linkages between growers, mills and bottlers.

2.2 WORK PLAN PREPARATION

Upon completion of the value chain assessments, LIVCD focused on preparing the life of project and 18 month work plan through the end of September 2014. During a workshop on April 29th and 30th, the value chain leaders presented a work plan draft for the selected value chains, based on the upgrading strategies from the assessments for Avocados, Honey, Pome Fruits, Grapes, Olive Oil, Cherries, Floriculture, Processed Foods, and Rural Tourism. The team also discussed several cross-cutting value chain topics.



Value chain leaders drafted a work plan based on the upgrading strategies presented in the value chain assessment reports

LIVCD submitted the Life of Project and 18 Month Work Plan to USAID on June 4th, along with the Performance Monitoring Plan (PMP). While waiting for USAID approval, the project pursued activities related to setting priorities for the implementation phase of the project, in particular through holding several stakeholder meetings and workshops with key stakeholders and USAID to refine the work plan based on the value chain upgrading strategies.

2.3 VALUE CHAIN IMPLEMENTATION PREPARATION

This section describes the major highlights in each of the selected value chains and the four cross-cutting components, in terms of preparation work conducted by LIVCD to set the stage for project implementation. It includes a summary of the key stakeholder meetings and stakeholders' workshops held to obtain relevant insight, suggestions, and recommendations for the work plan activities, as well as the opportunities and challenges that emerged from these meetings, related to the market size, production costs, pricing, and export opportunities.

2.3.1 CROSS-CUTTING VALUE CHAIN ACTIVITIES:

As part of cross-cutting value chain interventions, LIVCD assessed the following options, in order to improve the quality and productivity of seedlings, the laboratory situation in Lebanon, and opportunities for export.

In addition, in order to coordinate efforts with other donors' projects, LIVCD met with Mr. Dani Lichaa, Project Manager of the **FAO-funded 'Strengthening Production and Marketing of Lebanese Agricultural Products'**, scheduled to end in August, which supported the MoA in several aspects: Developing several value chains, in particular grapes, apples and citrus, through capacity building GAP programs to farmers and improving agriculture exports; preparing an assessment on fertilizers and seeds and a plant genetic resources management system; upgrading pesticide management and regulations; and improving the phytosanitary system.

LIVCD also held a meeting with Mrs. Dana Halabi, Marketing and Sales Manager of the **IRSHAD Project** that has been very active in apples, pears, cherries, and plums value chains for 15 years, in order to coordinate efforts. IRSHAD is focusing on agriculture extension at all value chain levels including plant material selection, marketing and sales, and introducing new varieties of apples. LIVCD also met with Mr. Georges Abi Rizk, Economic Development Specialist at **World Vision Lebanon**, to assess potential cooperation and coordination with LIVCD, in particular for the pome fruit and olive value chains. World Vision is currently conducting an assessment and intends to implement corporate social responsibility projects in partnership with private sector investors to benefit cooperatives and farmers in production, processing, branding, and sales.

○ **Tissue culture:**

In order to assess the opportunities of initiating demonstration plots, as suggested in LIVCD value chain upgrading strategies, the team held a meeting with Charbel Hobeika, Technical Manager at **Machatel Loubnan**, a Lebanese NGO located at LARI in Riyak (Central Bekaa), which includes 10 members from different seedling producers in Mount Lebanon, Bekaa and North Lebanon. The organization produces or imports different plants, including pome fruit, stone fruit, kiwi, avocados, olives, and several other potted and non-potted ornamental plants. Mr. Hobeika stated: "The establishment of a tissue culture laboratory would allow producing virus free plant material for several crops, in particular those that have an added value premium in destination markets".

In Souk El Ghareb, LIVCD discussed with Mr. Raghd El Hassan, Owner and Manager of **JUNO Agribusiness**, that hosts a 180 m² fully equipped tissue culture lab, with the capacity to produce over 250,000 seedlings per year, for ornamental plants and fruits, including bananas, apples, pears, avocados, cherries, and grapes. The company exports all types of ornamental seedlings

to Europe and Mr. El Hassan is ready to co-invest in the rehabilitation and upgrading of his lab to increase production to one million seedlings per year, and he is interested in researching and identifying new market channels.

- **Laboratories and certification:**

LIVCD prepared a **laboratories survey**, submitted to USAID on July 2, which provides a briefing on the available Lebanese laboratories and tests available for the different value chains, including testing fees, the time frame for completing analyses, and the types of accreditation offered. One of the most pertinent results of this investigation is that most of these labs are accredited for their microbiological departments and they are currently working to gain accreditation on the other tests. However, this survey revealed that many important tests relative to LIVCD value chains are not yet available in Lebanon. These include in particular pesticides residues, antibiotics, and heavy metals. LIVCD visited the University of Saint Esprit Kaslik- USEK, and met with Dr. Marc Beiruty, Dr. Chadi Hossri, and Mrs. Samar Azzi, the Industrial Research Institute (IRI) in Choueifat, the Chamber of Commerce in Tripoli and Zahle, RBML Lab in Choueifat, the Kfarshima laboratory, the CNRS in Beirut, and the LARI laboratory in Fanar in order to complete the assessment.

- **Linkages with traders, exporters, and owners of sorting, packing and cooling facilities:**

LIVCD met with Mr. Halim Salhab, the owner of **Botrys**, which produces and exports around ten kinds of fresh fruits and vegetables to London, on a weekly basis, and provides a certificate of origin and an industrial certificate. They use lab tests only for grapes and apples, and they have been exporting to GCC countries, in particular the hypermarket, Lulu, since 2005.

LIVCD also met with Mr. Ali Alam, a trader and exporter in apples, pears, cherries, grapes, and vegetables, mainly to the GCC and Egypt. Located in Taanail, **the Global Fresh Fruits Co.** managed by Mr. Alam recently bought an old facility for sorting, packing, and cooling and is currently renovating it. While discussing the work plan, Mr. Alam was enthusiastic about the idea of implementing Global GAP certification among farmers for high quality fruit production. He is also willing to co-finance a new high-tech cooling and sorting facility, which will serve as a model role in the region.



Botrys' packaging for export market reads: 'Fresh and tasty from Lebanon'

LIVCD traveled to Barouk and met with the President of **Barouk Cooperative**, Mr. Toufic Abou Alwan, as well as with Municipality Representative Nazih Kerbaj, and a large apple producer and trader, who also owns a cold storage facility, Mr. Talaat Boustany. The cooperative and the municipality work together to develop the agriculture sector in Barouk, mainly cultivating apples, peaches, cherries, and other crops included in the rural basket, such as thyme and rosewater. The cooperative offers extension and processing services to farmers, contributing small equipment in order to prepare jams, juices, dried fruits, tomato paste, apple vinegar, and molasses. While discussing the LIVCD work plan, Mr. Abou Alwan expressed his interest in participating in a majority of activities, while also requesting assistance to increase production, and stressing the importance of marketing products. He stated: “Market identification and research are essential; as well the development of a full branding and promotional strategy for the cooperative. In addition, the region produces apple molasses, a new innovative and promising product is an excellent product to develop further.”

- **Stakeholders’ consultations for Pome fruit (apples and pears) and Cherries:**

In addition and due to the similarities in the work plan developed for cherries and pome fruit, as well as a large number of common stakeholders, consultations and workshops were held jointly for the two value chains. The team conducted individual meetings with several producers, traders, small processors, and owners of sorting and cold storage facilities. In addition, a workshop was organized on July 8th with the above noted participants who provided positive feedback to the work plan. Stakeholders especially welcomed the emphasis on the use of new varieties to increase the percentage of Grade A apples, pears and cherries, that is needed to access new high-end markets, rather than remain dependent on the lower value Egyptian market.



LIVCD organized a focus group in Deir el Ahmar with over 20 local actors in agriculture and rural tourism

In addition, the group expressed the need for a pilot sorting and cold storage facility to demonstrate best practices, from harvesting to post-harvesting. A fresh juice factory could also provide an opportunity to process and guarantee a market for lower quality fruits; during the workshop, three traders expressed their willingness to invest in such a factory. Participants also expressed the need for affordable high quality seedlings and technical knowledge to ensure an upgraded, high-value, and consistent quality of products.

- **Rural development cross-cutting value chains:**

LIVCD travelled to **Deir al Ahmar** to meet over twenty farmers, cooperative members, and representatives from Caritas and local NGOs from several villages in the region in order to evaluate their needs and opportunities for collaboration. A few of the ideas raised include the following: WADA (Woman Association of Deir el Ahmar) pointed out the lack of training for processed food in order to meet market requirements, challenges with marketing for rural tourism, as well as the need to build bed and breakfast facilities. Several farmers raised the problem of production costs, in particular due to irrigation issues, as well as difficulties of transportation from Deir el Ahmar to the local market. Deir el Ahmar Cooperative, a female cooperative which produces traditional foods including jams, pickles, food preserved oil, molasses, dry food, and syrups, raised the problem of market access. Their products are sold in several retail shops in the region and in Beirut, and through exhibitions, but they lack proper labeling and packaging to export to promising markets such as the GCC and Australia. The visit to the region was also an opportunity to meet several actors in rural tourism, such as the “Juniperus Kingdom” Association, which is led by organic farmers, and works on the revalorization and protection of local resources – Juniperus- linking it to traditional local and/or organic food, and offering accommodation services and hiking activities. LIVCD also met with Ms. Petra Akoury, an organic farmer who wishes to establish an ecotourism farm, and has the potential to act as a driver of change in the region, and with the ‘Women’s Association for Rural Tourism’, which plans on establishing a five room lodge in Deir el Ahmar. Follow-up meetings will be organized with several organizations, as well as with the municipality.

LIVCD travelled to **Rashaya** and met the Head of the Municipality, Mr. Saad Mehanna, the Head of the Tourism Committee Mr. Antoine Maalouleh, the Manager of the USAID-funded Lebanon Reforestation Initiative (LRI) project, Mr. Souheil Kadamani, Rashaya Garden Food processing company’s representative, Mr. Fares Fayek, and members from the Rashaya Women’s Cooperative. These stakeholders are actively contributing to development of Rachaya’s tourism, agriculture, and honey activities, and are willing to contribute and participate with LIVCD in the development of a strategy and action plan. The region has the potential for rural tourism based on environmental conservation and reforestation, the nearby presence of Jabal Al Cheikh Mountain and its LMT track, and the importance of local and traditional food production. LIVCD also visited the local Women’s



Rashaya Women Cooperative produces jams and local dairy food such as goat labneh

Cooperative and Rashaya Garden's premises, a private company producing local food with a specific focus on dairy production.

LIVCD also met with the Head of **Saghbine Municipality** Mr. Elie Chehwane, who is gathering a group of local NGOs, private investors, farmers, and experts to initiate several projects in the region, including: grape cultivation for dried raisins, sparkling wine production, establishing a wine tasting itinerary in Ammiq and Kefraya in partnership with wineries, rehabilitating a USAID-funded dairy cooperative for cheese production, training on reforestation and forest preservation for an island on the lake to create a natural reserve, organic chicken and egg production, organic fruit cultivation, processing (cherries, grapes, pears, and walnuts), and 'terroir' product preparation.

LIVCD met with **Fair Trade Lebanon** Project Director Mr. Benoit Berger, an alternative food chain that could help in linking local food cooperatives and producers to the rural tourism network, as well as in promoting exports of locally made products such as handmade soap and dried almonds. Fair Trade Lebanon interventions are concentrated in "peripheral regions", with a significant share of food producers located in Bint El-Jbail in the South, Rachaya, Deir Al Ahmar, and Akkar, in particular the village of Merjez, which according to Mr. Berger, has great potential for rural tourism.

2.3.2 STONE FRUITS: AVOCADOS AND CHERRIES

Value chain facts: cherries and avocados are in high demand in the EU, Russian and MENA markets. Lebanon has many competitive advantages: early season availability, privileged geographic position, and important potential investments from exporters to develop the needed market linkages. Yet, these value chains represent a very low absolute value of expected exports and involve a relatively modest number of potential beneficiaries.

LIVCD met Dr. Adel El Tini from **Medigardens**, who exports cherries, and owns land in Ghajar planted with cherries of an early growing variety, which require a low chilling period of 105 hours, and for which he pays high royalty fees of 80,000 euros to Germany. Mr. Tini used to buy expensive varieties from the U.S. but according to him, varieties from Italy and Spain are cheaper, and are more suitable for Lebanon due to their similar Mediterranean climate. In addition, Medigardens is currently preparing a cold storage facility of 6,500 m², of which 50 percent will be dedicated to cherries.

As part of this value chain intervention, LIVCD met with Mohamad Hijazi, a major avocado grower from Nmeiliyeh, with over 15 year experience in avocado production, after having converted his citrus orchards to this more profitable crop. Mr. Hijazi continues taking over old

orchards, applying new technologies and adopting new varieties, in order to improve productivity. According to Mr. Hijazi, “Avocados have great market potential. However, a successful orchard is highly dependent of the producers’ production know-how. I started adopting high-density planting with approximately 197 trees planted per dunum, with upright varieties such as ‘Reed’, ‘Lamb Hass’ and ‘Gwen’.” LIVCD is considering Mr. Hijazi as a potential master trainer for avocados.

2.3.3 FLORICULTURE

Value chain facts: Floriculture benefits from a steadily increasing worldwide demand and from a strong interest from Exotica a leading integrated producer/ retailer/ exporter in developing a network of smaller suppliers. Due to the highly perishable nature of the product, geographic proximity is an important advantage for Lebanon in accessing regional markets.

LIVCD discussed the identification and propagation of endemic plants and flowers with Dr. Marc Beirouty, Associate Professor at **USEK**, an ethno-botanist and an expert in Lebanese flora. In particular, he mentioned that Oregano Lebanonica and other species, originating from Lebanon do not require registration and royalty fees. The team also visited the experimenting area for flower cultivation and the tissue culture laboratory, which have already conducted extensive tests with four Lebanese endemic aromatic plants. The premises have the necessary resources to fully test and reach conclusive results on the most suitable species and varieties to be used, including: tissue culture labs, an incubation room, a controlled green house and a steady flow of students to assist with the tests.

LIVCD also met with major producers of the value chain, of which Samir Yazbek, General Manager of **Flower Zone**, Paul Stephan, one of the main producers of plant seedlings in Lebanon that supplies nurseries and producers, Ramez Saker, who specializes in Chrysanthemum production, and owns two cold rooms next to his production area, Adel Kerellos, one of the largest producers of roses in Lebanon, and Nidal Abou Hussein, General Manager of **Raidan Flowers**, who mentioned: “Subsidized production supplies and inputs, easier access to finance, decreased transportation costs, decreased energy costs through subsidized fuel for agriculture and investment in solar/wind energy are necessary to improve floriculture exports.” These producers, along with wholesalers and retailers, confirmed the findings of the sector assessment and validated the resulting work plan: a two-step approach revolving around first developing a marketing strategy and



Hariri Foundation received numerous USAID funding, including the 'Improve flower production and marketing' project'

expanding upon domestic and export market linkages to then improve the competitiveness and productivity of Lebanese producers. In addition, LIVCD met with **DHAIM** project staff to discuss the floriculture value chain status and the team also visited the **Hariri Foundation**.

Next steps in the value chain will be identifying a floriculture marketing expert to deliver a marketing plan for potential export markets in addition to domestic market, partnering with academic institutions to identify and domesticate potential endemic Lebanese plant species in addition to the marketing partner from the private sector that will market and distribute the newly commercialized plant.

2.3.4 GRAPES

Value chain facts: There is \$81.2 million of annual production of table grapes and the table grapes value chain has the potential to employ 2,000 farmers or employees as part of LIVCD's upgrading strategy. Lebanese grapes have established a foothold in the high-value EU market, and demand in this segment is very high, as Lebanon enjoys a favorable early seasonal window for such exports. Both domestic and export demand is growing for higher quality and new varieties of grapes. This value chain also offers excellent potential to work with lead firms to increase their supply from small and medium farmers.

On May 17th, LIVCD organized a **workshop for a group of grapes stakeholders** at the Chamber of Commerce in Zahle, attended by eighteen farmers, processors, private company representatives, and the USAID COR. Attendees raised several points: 1) the necessity to improve grape quality, through new varieties, appropriate phytosanitary treatment, and modern techniques of packaging, in order to increase exports. Farmers agreed to introduce packing and post-harvest activities in the second year of the project; 2) the potential of working with private sector partners to leverage more investment, and to assemble small farmers into cooperatives. Farmers suggested that a private enterprise, for instance Dr. Adel el Tini's **Medigardens**, could lead a group of small farmers, providing them with technical support, and provide a firm commitment to purchase all of their production; 3) the need to conduct specific tests including pesticide residue levels. The COR referred to previous USAID-funded laboratories and the possibility to initiate a specific lab for the pesticide residue test. The meeting resulted in commitments from participants to invest based on the successful creation of a model that ensures that proper varieties and quality are produced for sale in export markets through Medigardens and other exporters; based on Dr. Tini's financial projections and return on investment calculations.

As a follow-up, LIVCD prepared lists of small farmers that own less than 25 dunums in five regions in the **Bekaa**. In collaboration with lead farmers, LIVCD defined guidelines on the roles and responsibilities of every actor. Lead farmers will provide technical support and guidance to a group of 10-20 small and medium sized farmers, to increase the quality and the quantity of grapes, and replace traditional varieties with new varieties through co-investments by LIVCD. The team prepared a draft contract, including a budget for agriculture equipment to be purchased for each region. Ideally, according to Dr. El Tini, field work should start mid-July to prepare the soil before the planting season in January.



Red Globe variety planted in Marjeyoun benefits from early season availability on the market and fetches high prices

LIVCD also traveled to **Marjeyoun** and met with four small to medium scale grape farmers from the surrounding villages, who cultivate between three to 70 dunums each, among large uncultivated fields. Their challenges are numerous, including the lack of technical support from grape technicians and agricultural engineers and the high cost of inputs. In **Jezzine**, where Maghdouchi grapes are also cultivated, LIVCD held discussions with five farmers that mentioned the challenges they face, including lack of water, lack of technical experience in dealing with pests and fungi, and high cost of labor. The farmers could benefit from LIVCD technical assistance and from support to build rainwater collection pools. The team visited several grape farmers in **Saida** who own lands ranging between 16 to 20 dunums, as well as two wholesalers- Nazih Hachichou and Nayef Kaadan, to evaluate the viticulture sector in the region that is famous for the Maghdouchi variety. This particular variety has an early production season, from July to September, high productivity, a high selling price, and significant demand. Unfortunately, farmers continue to struggle with high costs of production and a lack of water in the summer, and the products are not exportable due to a short shelf life.

2.3.5 OLIVE OIL

Value chain facts: There is \$65 million worth of production annually, and the potential to support 4,000 farmers or employees (more than any other value chain). It has good market prospects with U.S., Canadian, and Australian specialty and ethnic importers who pay very high prices that cover the cost of producing a pure Lebanese product. These growth prospects are linked to successes of new origin and quality labeling, reinforcing the MoA's initiative. Domestic market suffers from the recent wave of Syrian imports, and from the lack of consumer's confidence in bottled oil.

Work plan priorities, key opportunities and challenges:

LIVCD met with **TUV Rheiland** and its sister company Management Mix, in order to analyze the possibilities of developing a label of quality and/or origin. The team also met with Khalil Haddad, General Manager at **LibanCert**, who launched the Cedar Excellence Seal in 2010 to certify standards for high quality Lebanese produce. Mr. Haddad claimed: “It is necessary to raise customers’ awareness of this seal, which will encourage more growers and producers to acquire it.”



Cedar Excellence Seal could be used to certify standards of high quality Lebanese Olive Oil

in order to increase export opportunities of olive oil, LIVCD held a meeting with Mohammed Najjar, a distributor of extra virgin olive oil from **Willani** to the U.S. market, to prepare a proposal for marketing support aimed at increasing his business linkages and expanding his volume of exports. LIVCD assistance could include supporting the company in providing trade offers to around 215 new customers on the U.S. East Coast, and the team is currently assessing the cost, ROI, and feasibility of the operation.

A leading olive oil production company, **Atyab SARL**, which owns **Zeit Boulos** brand amongst others, intends to launch an olive oil pilot project in Keserwan that will include a demonstration olive plot, and modern milling line and storage facilities that will serve the area of Keserwan and Jbeil while also hosting agricultural students visits and internships in order to raise students’ awareness on the importance of the olive oil sub-sector. The company intends to purchase all extra-virgin olive oil milled at a reasonable price that will be bottled in their brand. They welcomed any type of assistance that LIVCD’s would be willing or able to provide.

LIVCD conducted a series of meetings with key stakeholders of the value chain in order to validate the project’s axes of intervention and organized a **stakeholders’ workshop** on July 3rd, attended by about 40 participants, including the USAID COR and Director of Economic Growth, Water, and Environment. Main stakeholders at the workshop included producers, processors, exporters, distributors, mill owners, heads of cooperatives, bottlers, and traders. The group was briefed on LIVCD’s intended work plan and various axes of intervention in the olive sector. Participants agreed to a large extent on the suggested approach and discussed in thematic groups the most important types and areas of support needed in different segments of the value chain: 1) How to increase olive productivity at the field level; 2) Challenges faced at the milling level and how to improve the milling process; 3) How to raise consumer awareness to buy Lebanese branded and non-branded olive oil; and 4) Increasing access to export markets.

The groups' suggestions coincided for the most part with the proposed project activities: The workshop provided a good opportunity for producers to voice their concern directly to brand-owners and bottlers that they are not buying Lebanese oil and for the same bottlers to indicate their concern regarding the high prices requested by those producers. Finally participants agreed that the olive oil sector should get inspired by the very successful wine industry that has flourished in the past decade because of the efficient coordination and linkages between various groups of the sector, even competitors. In the coming weeks, LIVCD will follow-up with stakeholders that showed interest to co-invest in PPPs in order to improve their milling or marketing practices while benefiting a large number of smaller producers.



Willani produces high quality oil in its modern and advanced milling and bottling facility. He exports most of it and is unable to penetrate Lebanese domestic market.

In addition, LIVCD attended the olive oil competition at the **HORECA exhibition**, where over fifty applicants participated in two categories, the best Extra Virgin Olive Oil (first and third prizes won by Willani) and the best Olive Oil Bottle and Label.

2.3.6 POME FRUIT

Value chain facts: This is a large value chains, with a high annual value of production estimated at \$183 million, a growing export demand for high quality well sorted apples and for non-traditional varieties of pears. There is low potential to leverage funds or activities with anchor firms since specialized apple and pear packers/exporters work mainly in the low quality market segment.

LIVCD traveled to Anjar to meet with Mr. Gabi and Mr. Setrak, owners of **Gabi and Seto Company** that owns an orchard producing high quality apples and pears, and sells directly to the wholesale market and to other packers and traders. Ninety percent of production is grade A, and Mr. Gabi mentioned that he is ready to share his knowledge with other producers, and transform his orchard into a demonstration plot for experts and farmers. Gabi and Seto own well-equipped and well-managed storing, sorting, and packing facilities, which includes three small cold storage spaces, and the duo is looking to invest in a medium size multifunctional juice factory that can produce fresh and pasteurized juice from apples, pears, grapes, peaches, and apricots, if they can find the right partner with high competence and a solid reputation.

LIVCD met with Mr. Naim Khalil, a medium scale producer and exporter of apples, to understand the constraints of his business, and explore future collaboration opportunities, in particular for upgrading his cooling facility, training his suppliers on harvest and post-harvest practices, supporting his suppliers to produce new varieties through credit, and targeting GCC countries. Mr. Khalil has a traditional cooling facility but no real pre-cooling practices. He exports only to Egypt and is affected by their currency depreciation and the deteriorating economic situation.

In the coming months, LIVCD will initiate forming a national technical committee for apples and pears to define best practices and guide focused and strategic intervention.

2.3.7 PROCESSED FOODS

Value chain facts: This value chain has a total value of \$230 million, engages over 3,250 farmers and employees in the sector (of which a large segment are women and youth), raises the potential for collaboration of multiple processed food manufacturers and with syndicates, and has high synergies with GOL strategies. Very high export demand exists in particular for pickles in Europe and U.S. specialty and ethnic markets and for fruit jams in the MENA region.

LIVCD discussed with the owner of **Delta Group** Natalie Kazan, who suggested her company could benefit from LIVCD's assistance to enter the U.S. market through channels different from the existing ethnic markets, and requested guidance for the implementation of food safety systems of HACCP and ISO22000 systems. According to Ms. Kazan: "It would be great if SLFI could provide discounts with labs, and by guiding industries through a clear understanding of Lebanese food laws, and financially contributing to food industries' participation in trade shows."

LIVCD visited **Mymoune's** Mrs. Leila Ghourayyeb, Youmna Ghourayyeb, and Randa Jaajaa, who run this small company that specializes in Lebanese artisanal food confectionaries, by employing rural women and farmers, and creating unique typical Lebanese products for the local and export markets. Mymoune is soliciting LIVCD's assistance for new product development and marketing, noting the importance of Lebanese participation in trade shows. LIVCD also met Mr. Adib Khalil at the **Lebanese Mezze** factory, which offers traditional Lebanese frozen food. Mr. Khalil is looking to develop new products as part of his business expansion, is also considering ways to develop his export markets through linkages with brokers in the U.S. and GCC markets.

At the **Sonaco Al Rabih** factory, one of the leading canned food producers in Lebanon, LIVCD discussed the opportunity to support the company in product development, both for new and existing products, and by encouraging Lebanese farmers and cooperatives to produce the right type of products for processing. Mr. Al Rabih also suggested creating a Lebanese pavilion in trade fairs to market Lebanese food and expand producers' international opportunities. During a visit to **Wadi El Akhdar's** factory, LIVCD met Mrs. Ramona Khoury, Mr. Pio Koussa, and Mr. Salah Labban, who are very keen on opening new export markets, as well as developing new Lebanese products through working with cooperatives.

LIVCD met with Mr. Joe Fares, Mr. Raja Cortas, and Mr. Mounir Bsar, who are leading members of **SLFI** and made valuable suggestions including encouraging product development and attracting experts in this field, supporting SLFI in updating and informing processors and industrialists of the constantly changing FDA and EU regulations, encouraging processors' participation in major trade shows for packaging and equipment, and increasing linkages between processors, farmers, and cooperatives.

Mr. Bachir Mechaalany, from **Mechaalany Co.**, indicated: "Supporting SLFI becoming a fully functional business association will induce an important and positive change in the food industry sector. Also, it is important to support industries becoming fully automated and to study possibilities of new markets and new varieties."



Mechaalany Co. handles the manufacturing and packaging of pickles, jams, Arak, and other products

LIVCD is in the process of finalizing labels for the **Cortas** brand to export a wide range of jams to the U.S. including apricot, strawberry, orange marmalade, and fig. In addition, LIVCD is preparing the nutrition facts and required recipe ingredients for 27 labels from **Jana al Ayadi**, in Deir Al-Ahmar. The 27 products are destined for the Australian market. Meanwhile, the team is reviewing all the updated regulations and standards for the U.S., Canada, and Australia.

LIVCD also visited the **Caritas Agrofood** Center in Deir el Ahmar to assess the possibility to improve the Center and product quality, and build the capacity of local staff. After touring the facility, LIVCD was provided with the layout of the structure and the pickles and jams processing charts, in order to evaluate and adjust the appropriate flow of material and personnel to meet HACCP standards, improve efficiency, ensure the highest quality output, and will discuss required equipment and the potential for co-investment.

LIVCD travelled to Baskinta and visited the **Khoury Dairy** factory, and met with Production Manager, Mr. Mazen Khoury, and Sales and Distribution Manager, Mr. Sami Merhi. Khoury Dairy is one of the fastest growing dairies in Lebanon that sells milk derivative products from fresh cow and goat milk collected from their own farms, and from other farms in different areas of Lebanon. The Company also exports to Iraq, Saudi Arabia, Africa, and Russia. LIVCD can also help with understanding and implement required regulations and with lab analyses.

During a visit to **An Nabil** factory in the Bekaa, Mr. Nabil Kassatly stated: “It is fundamental to implement international food safety standards (HACCP or ISO 22000) in order to improve exports, and increase consumers' confidence in Lebanese products.”



Caritas' agrofood processing unit in Deir el Ahmar requires several improvements for better competitiveness, output, and quality

LIVCD met with Mrs. Zeina Harb and Nadia Harb from **Alfa Interfood**, one of the leading canned food companies in Lebanon, which imports and produces its own raw material. The managers expressed high interest in cooperating with LIVCD to create linkages with farmers, mainly to produce vegetables that are still not grown in Lebanon, such as cornichons and tomatoes varieties that are appropriate for canning. Moreover, Alfa Interfood intends to expand their contacts with cooperatives and create joint ventures for artisanal products that they do not produce in their factory.

LIVCD met with a large number of organizations and private sector companies and will be organizing a stakeholders' workshop in September. LIVCD met with Mr. Walid Takla from **Equitable Gourmet**, a company that specializes in identifying small and medium-sized producers and linking them with buyers of gourmet food products in developed markets. For instance, it supports Lebanese producers of pomegranate molasses, a product that seems to have a growing niche market demand in the UK. LIVCD is looking into areas of collaboration to support farmers and producers to benefit from this type of export market opportunity.

Moon Valley's David Job and Jared Lebel were introduced to Lebanese processors to source products for the UK market. They visited Mechaalany's factory in Zahle, which produces pickles, pomegranate molasses, a product of growing interest and market opportunity in the UK, as well as a variety of jams. At the Alfa Interfood factory, Moon Valley met the managers Mr. George Khazzaka and Mr. Imad Harb, and discussed the possibility of exporting 'tahina' to the UK, depending on the product's technical standards (sterilization) and ISO 22000 certification.

Hiba Kaeen and Rashed Hamtou from **Ahlouna**, which provided capacity building workshops to women who possess limited education and skills, to produce a variety of cookies, jams, meat, and cheese filled pastries, as well as other traditional Lebanese dishes and catering services for up to a thousand guests.

Charity Association for Rural Development in Chebaa – CARD, based in Chebaa, works with 150 farmers from the village and women on food processing and handicrafts. The organization is looking to invest in a food processing unit and requested technical support to define specifications, meet hygiene and safety standards, and implement a marketing strategy for the products, including participating in exhibitions and fairs.



Joseph Menhem's small factory in Koura needs expansion as its business grows

Menhem Establishment, based in Koura, produces primarily pomegranate molasses, which it sells in bottles and in plastic buckets and distributes mainly to private labels and to sweets factories. It also produces rose water and orange blossom water, which he also sells to Equitable Gourmet, balsamic vinegar which is relatively new, jellab, grape, and apple vinegar which has low margins, and jams from apricot and whole figs. LIVCD will support Mr. Menhem in developing a business plan for his expansion.

In addition, LIVCD attended the **National Food Day** organized by SLFI during the HORECA trade show, where experts discussed potential for Lebanese food processors in export markets and the need to shift marketing strategies and adopt new approaches to enter high value markets. LIVCD visited the **Chamber of Commerce Industry & Agriculture of Tripoli (CCIAT)**, and met with Chairman Marcel Chabtini and Program Director Rana Mawlawi, to discuss future collaboration with LIVCD. The Chamber counts, and offers services to over 12,000 members from the agricultural, industrial, and commercial sectors in North Lebanon.

2.3.8 RURAL BASKET: HONEY

Value chain facts: Honey is a key revenue source for a large number of poor rural households, and LIVCD work in this area could lead to supporting 2,500 beneficiaries. With a current value of production of \$26 million, the demand has steadily grown, both in domestic sales, at prices well above lower cost imports, and in export markets, with a good potential for expansion.

In order to expand the number of hives in production by small and medium beekeepers, LIVCD will prepare a feasibility study for implementing a breeding center in Lebanon, an idea largely supported by beekeepers, such as **APIS'** President, Saad Wehbe. He suggests: "We should have several breeding centers across the country, and ensure the safety of queen bees by providing a non-contaminated environment, such as natural reserves." LIVCD met with several experts, professors and beekeeping specialists in Universities to discuss the subject, in particular with Dr. Dany Obeid, Professor at the **USJ**, who mentioned that 6,000 to 8,000 m² of isolated natural reserve land are needed to ensure that the queen bee mates with a specified male drone. Dr. Obeid also suggested offering technical assistance through agriculture vocational schools to encourage youth to become beekeepers, provided a list of experts who could provide training on common bee diseases, and recommended creating a website to have the APIS Magazine available online.



LIVCD attended the 'AUB Honey Day' and discussed the work plan with Dr. Rami Ollaik, Head of Beekeeping

LIVCD also discussed the importance of a breeding center with Dr. Chadi Hosri, owner of 185 hives and a beekeeping expert who teaches at **USEK** and provided training for the USAID-funded program with the Jezzine Cooperative. He stated: "A breeding center, the first of its kind in Lebanon, would be very important to increase yields, but the difficulty is to find a large enough plot from 5,000 to 10,000 m², to isolate the ecosystem and avoid contamination from other beekeepers and orchids. Artificial insemination could be used instead, but it requires significant technical assistance".

The team also visited the **Safadi Foundation** and discussed the Akkar Center with Dr. Ghassan Srour. The center helps beekeepers improve their production by providing technical assistance and assisting them in recycling their wax, thus lowering the production cost.

LIVCD is preparing the first certification of ISO 22000 and HACCP of Lebanese honey for two major producers and exporters, Tony Kaddoum and Hussein Kadamany (**Jabal el Cheikh** brand). LIVCD conducted an audit and will support implementing the requirements for the certification.

LIVCD visited the **Association for Forest Development and Conservation - AFDC** in Metn el Aala, and met with the President of the Cooperative, several board members, and the manager of the AFDC branch in Kernayel. The Cooperative, which includes 77 members with a total of 3,000 hives, provides a wide range of services, including honey harvesting, wax recycling,

training, capacity building, information sharing, and marketing some honey of the members through a branded product in local shops, supermarkets, and fairs.

LIVCD identified the necessary regulations for EU markets and met with Mr. Henri Sayegh, General Manager of **Yacoub Trading & Contracting Co.**, a well-established company based in Qatar which imports several Lebanese products including Cortas and Second House brands. Mr. Sayegh is interested in exporting Kaddoum honey to Qatar, given its high quality, premium packaging, and assortment of varieties. However he has some concerns about prices and competition, and the lack of marketing support. As a step forward, Mr. Sayegh will share with LIVCD information including listing fees and shelf space rental costs, promotional costs, and an estimated first order quantity.



Hussein Kadamany's future packing house site in Jabal el Sheikh, a clean region free from waste and pollution

In addition, LIVCD organized a **stakeholder's workshop** for the honey value chain on June 19th, which gathered over 40 beekeepers, honey experts, university professors, laboratory representatives, and cooperative leaders from across Lebanon. The workshop was attended by the USAID Director of Economic Growth, Water, and Environment, and the COR. LIVCD presented the work plan and the proposed ways to further improve the honey sector in Lebanon, while discussing four themes in smaller groups: Production Increases, Disease Management and Capacity Building, Awareness Building, and Access to Local and Export Markets.

The workshop allowed in depth discussion of the work plan and the ways to further improve the honey sector in Lebanon, in particular through improving and increasing honey production, controlling diseases, inhibiting the effect of pesticides on honey production, building capacities, raising awareness, and increasing access to local and exports markets through for instance, accreditation of laboratory tests and certification. In general, all attendees were amenable to the work plan provided and showed enthusiasm in participating, by investing resources and ideas to improve the honey sector. All producers agreed on the need to increase honey production, and identify and eliminate diseases in a systematic way. Moreover, a market study is essential to move away from home sales, to mass market sales, locally, and in new markets abroad. Product development was encouraged in order to expand the honey market. Producers requested technical assistance on safety and quality systems, breeding training, disease training, and assistance with the media to help market honey in Lebanon.

2.3.9 RURAL BASKET:

Value chain facts: The rural basket of products includes honey, Lebanese thyme, free range eggs, and pine nuts (with the flexibility to add future items such as lettuce or other herbs and spices). It has the potential to target the poorer segments of the rural sector with opportunities to increase incomes and add jobs without heavy capital investments. There is an opportunity to package these products and sell them together through the same households or through a cooperative since products can be combined with other complimentary products such as olive oil, honey, and traditional processed dried foods. This value chain can highly engage rural women and youth which can specialize in some of these products and help increase income for their families.

Interesting initiatives with high potential to grow were identified and several actors showed a keen interest in working with the Project under the developed work plan. Most activities will be implemented through cooperatives and NGOs, as well as small and medium private sector companies. Challenges in this value chain are the need for branding, labeling, and quality management as well as the necessity to reach new market channels. Sales and marketing are highly welcomed by all consulted actors. In addition, actors expressed the need to address logistic constraints for export, which became exceptionally difficult after the Syrian crises.

The Value Chain Interventions in targeted Lebanese Communities detailed in section 2.5 of this report are currently implementing projects tied to the Rural Basket value chain activities.

2.3.10 RURAL TOURISM

Value chain facts: There is potential collaboration with Lebanese tour operators at the upper level of the value chain and significant synergy with GOL strategies and previous USAID and EU projects. LIVCD can strengthen a coalition of local actors and ensure that economic benefits from rural tourism stay in rural areas. This value chain is also highly relevant to women and youth, who play a large role in tourism-related services.

LIVCD met Mr. Fahed Nasr, Dean, and Dr. Jad Abou Arrage, Adjunct Lecturer at the **Faculty of Tourism and Hospitality Management at the Lebanese University** to discuss possibilities of cooperation. They expressed the wish to play a pro-active role in the drafting of a 'National Strategy and Action Plan for Rural Tourism' that LIVCD is planning to support. Furthermore, LIVCD could help link faculty students to the rural tourism labor market and provide a

framework for their research. This in turn would be of beneficial to the overall development of the sector. The LIVCD team will also meet the **Balamand Faculty of Tourism** next quarter.

Several meetings were organized with **Beyond Beirut Association** that is a well-positioned and representative NGO able to launch, with LIVCD support, the institutional process that could bring stakeholders together to build a national strategy and action plan for rural tourism though the organization needs support from LIVCD to fulfill their role. Also, an exploratory meeting was carried out with Mrs. Joumana Salame, Managing Director of **Hospitality Services**, which initiated and manages the HORECA, The Garden Show, and the Beirut Cooking Festival events, in addition to the 'Taste & Flavors' and 'Lebanon Traveler' publications. Discussions included improving the 'Lebanon Traveler' website and increasing dissemination of the printed and online magazine, facilitating the exchange of information among rural tourism stakeholders, and implementing a national marketing and promotional campaign.

At the municipal level, several meetings were organized with heads of municipalities, including the Union of Jezzine Municipalities, the Municipalities of Assia (Batroun), Ehmej (Byblos), Anjar (Bekaa), Hadath Al-Jebbeh (Bcharee), Rashaya Al-Wadi and Saghbine (Bekaa). In addition, consultation meetings with influence stakeholders were organized in Deir Al-Ahmar (Beqaa), Tyr (South), and Maad (Byblos). LIVCD also travelled to **Ehmej** and met Mr. Charles Khalifeh, Municipality council Member, and Mrs. Imane Khalifeh, Municipality full-time staff, which previously developed a rural tourism strategy with the support of the previous USAID-funded EMLED program and discussed opportunities for upgrading the rural tourism value chain, including 1) a potential co-investment for upgrading Ehmej Park facilities, 2) linking Ehmej hiking paths to the Lebanon Mountain Trail (LMT), 3) developing a marketing and promotion plan, and 4) training local guides. Ehmej municipality also expressed its interest and willingness to play a leading role in helping other municipalities in upper Jbeil and Batroun area to develop rural tourism, in particular Tannourine municipality.

In **Hadath El-Jebbeh**, LIVCD met the Head of the Municipality Mr. Georges Chardrawi, and other personnel to view tourism assets and discuss the potential for rural tourism in this part of the country. The area has cedars, skiing, nature trails, and the Holy Valley Wadi Qannoubine; however it needs help in organizing the region to accommodate guests, especially foreigners.



Ehmej municipality benefits from a privileged location and assets for rural tourism

LIVCD also met Maha el Khalel Chalabi from the **International Association to Save Tyre - AIST**, which is dedicated, since 1980, to rehabilitate, preserve, promote, and develop the southern city. Mrs. Chalabi explained: “We developed a project to assist artisans in maintaining their activity, growing their businesses, increasing their competitiveness, and exporting their products. We wish to transmit disappearing knowledge by training groups of youth, women, and disabled in producing high quality crafts using traditional techniques of glassblowing, ceramics, metal, jewelry, and wood carving.”

LIVCD held several meetings with **ANERA** Samar Al-Yassir, Country Director, and Martine Btaich, Program Manager of the **DHIAFEE program**, and discussed the work plan and potential cooperation to explore in-depth the need of the hospitality businesses for quality and services improvement, building on the previous experience of the DIAHFEE network initiative. According to ANERA: “Marketing strategies should be very well integrated into the other components of the work plan – including the promotion of the quality seal label of rural accommodation services”. The DHIAFEE program could also play an important role in providing capacity building, management skills training, and on the job coaching to hospitality businesses involved in the rural tourism network, and in implementing a quality certification process.

The team also had the occasion to meet with youth web base innovative projects such as **LebanonEGuide** and **TourTwist**, which links local youth guides and tourists willing to visit rural areas in Lebanon through a web platform. The project promotes experimental tourism and authenticity, with the support of trained local guides that develop the content of the tourism packages. The project is currently in its Beta phase and would require LIVCD support to launch.

LIVCD met Mrs. Josephine Zgheib from the **Lebanese Youth Hostel Federation**, and Mrs. Joumana Billeh, Manager of **Hostel ‘Auberge Beity’**, which falls within LIVCD’s efforts to upgrade and improve quality of services provided by hospitality providers in rural areas. The Federation, an entity dependent of the Ministry of Youth, has undertaken significant work on quality improvement through the “Hosteling International” quality scheme, such as HI-Q quality management standards, and has trained local Lebanese hostels on the guidelines.

LIVCD discussed with Mr. Pascal Abdallah from **Responsible Mobilities** about the development of rural tourism strategies in Deir al Ahmar, Anjar, and Fakehaa (Northern Bekaa), and the need for a national strategy for the regulation of rural tourism tour operators and rural guides, such as mountain guides or local village guides.

LIVCD adopted a participatory approach in both the assessment and preparation phase. The work plan draft was discussed with stakeholders in bilateral and multilateral meetings. These included a **stakeholders’ consultation workshop** on June 11th which gathered around 25 actors

from the rural tourism value chain, including NGOs, associations, tours operators, and heads of municipalities. LIVCD's COR reaffirmed the priority to create jobs in rural areas, and to focus on encouraging the demand through promoting and marketing projects. In addition, LIVCD's COP mentioned the importance of this value chain, which relates to the project's remaining value chains, in particular food. The participants gathered into panels to discuss 1) the role of municipalities in rural tourism and 2) A national strategy road map for rural tourism.

2.3.11 CROSS-CUTTING COMPONENT: ACCESS TO FINANCE

The team met with Khater Abi Habib, Chairman and Yolla Serieddine, Manager of the Credit Department at **Kafalat**, who presented the institution's activities, in particular its new program for agricultural and rural development, which aims at increasing access to credit for small-scale farmers, and targets rural women and young farmers with two types of loan: The first loan (Kafalat trees) provides a maximum of \$333,000 and has a maturity of 10 years with a three year repayment grace period; the second loan is for a maximum amount of \$45,000 and has a maturity of seven years with six months grace period. The default rate for Kafalat in 2012 reached 2.6% and is expected to increase to 3 % in 2013.



Microfinance Institution Emkan provides loans at 10% interest rate, to low income individuals, and also implements economic development projects, in particular in the North

LIVCD also met with **Emkan**, an institution which provides microfinance services to low income individuals through its six branches in Akkar, Tripoli, Chtaura, Saida, Tyr and Beirut. Emkan is also engaged in community development activities through the implementation of economic development projects, such as a cold storage facility for apples in Akkar, and a wholesale market which is expected to be launched in May in Akkar, and will comprise of 62 retail shops.

LIVCD also held a meeting with Mr. Ziad Halaby, General Manager of **VITAS (formerly Ameen)**, one the largest microfinance providers in Lebanon, which serves its clients across the country, both directly and in partnership with local banks. Only around five percent of the VITAS portfolio consists of agriculture or agribusiness loans, while around thirty percent of loans are provided to women, at an interest rate varying between nine and fifteen percent. Concerning potential collaboration with LIVCD, Mr. Halaby stated: "It is necessary to train microfinance institutions on agricultural value chains. It would also be interesting to create innovative products for agriculture loans if the financial returns and risk are acceptable, such as: providing

a grace period, working with cooperatives, group lending, providing financing to input providers who can lend to farmers, and using equipment as collateral on loans.”

2.3.12 CROSS-CUTTING COMPONENT: CAPACITY BUILDING

The capacity building component of LIVCD aims at building critical skills of Lebanese stakeholders, to build a permanent cadre of skilled local firms, associations, foundations, and organizations. LIVCD is finalizing the development of the core technical content for the capacity building training program. LIVCD’s NGO assessment report signals the need for this content to be presented in a more dynamic and interactive format in order to maximize buy-in and uptake on the part of NGO’s - who have often found previous trainings in this domain to be too formal, impractical, and not responsive to their capacity building priorities and existing experience base. LIVCD started compiling lists of beekeepers that will receive training in honey production, contacted potential trainers, and started identifying needs for training. The team is also planning several technical training events in particular for pome fruits.

The Gender and Youth component is included at all stages of value chain interventions. An action plan for each value chain is under preparation, including collaborating with subcontractor Making Cents and raising awareness with implementing partners. On June 21st, LIVCD attended the "**Gender Mainstreaming in USAID Programs**" workshop organized by the U.S. Embassy and conducted by **Social Impact**. The workshop presented the mission’s priorities concerning gender inclusion, emphasizing the importance for all implementing partners to conduct a gender assessment and develop a gender sensitive PMP. LIVCD is also preparing a **gender assessment** to consider the different roles, needs, and perceptions of women and men in agricultural and other related economic development projects, in addition to taking into account the gender based constraints that women face, particularly the factors that limit their participation in projects’ development, implementation, and management and access to services and resources.

A focus on gender issues produces benefits that go beyond good project performance. The active participation of women in projects’ planning, design, implementation, and evaluation, will empower them and give them a stronger sense of ownership and a more prominent stake in project success. Promoting their access to resources will also allow them to devote more time to income-producing activities and to caring for their own needs as well as those of their families. This will lead to achieving benefits not only at the personal and family levels but also at the level of the society and economy as a whole.

2.3.13 CROSS-CUTTING COMPONENT: COMMUNICATIONS

This component will raise public awareness on LIVCD projects and value chain activities within USAID and larger development communities, communicating to value chain actors about opportunities for investment and marketing, and will support the promotion and sales of LIVCD products and specific value chains. Communications will encourage local communities, diaspora, and investors' participation in LIVCD activities. LIVCD submitted the Project Fact Sheet to USAID and will finalize the document next quarter.

2.3.14 CROSS-CUTTING COMPONENT: MARKET INTELLIGENCE

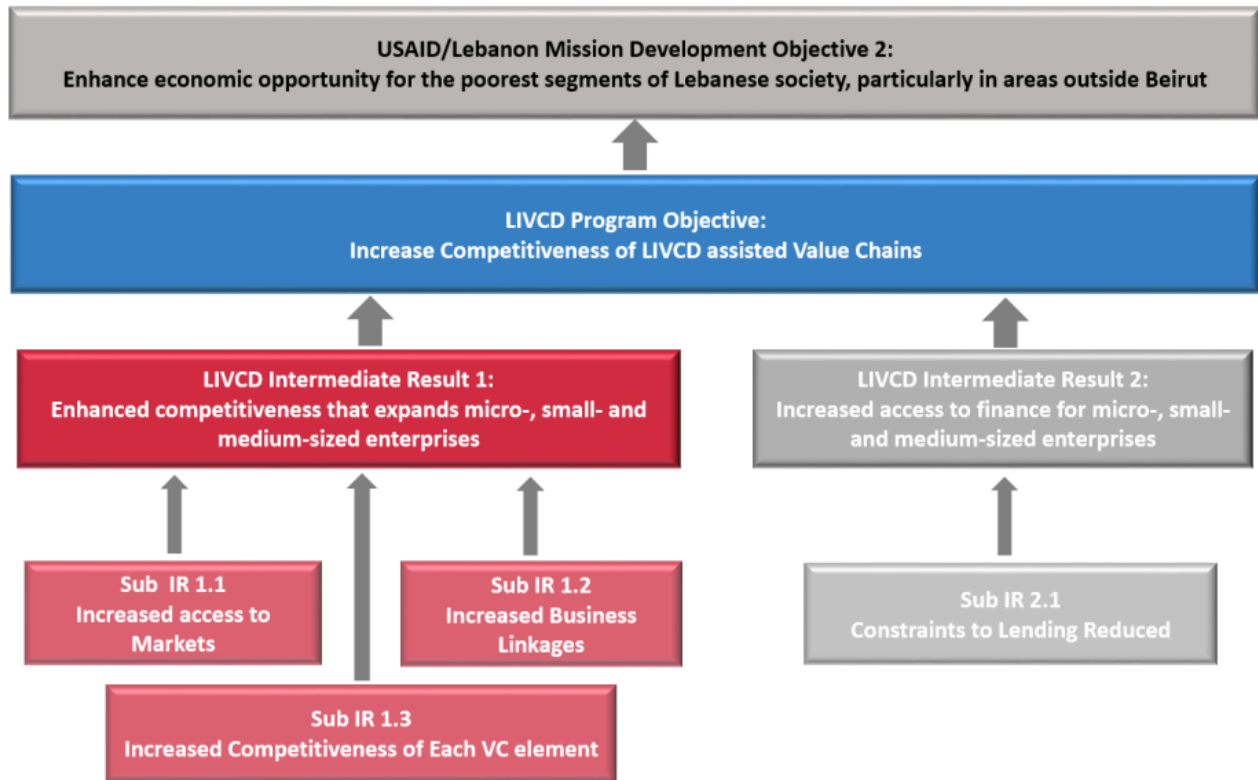
The objectives of market Intelligence is to make reliable, actionable marketing intelligence available to the different stakeholders in the targeted value chains. Also, improve stakeholders' ability to identify market opportunities and make better business planning and investment decisions. It also aims at increasing competitiveness of targeted value chains in a sustainable way through a commercially sustainable marketing intelligence system.

LIVCD met with Mrs. Mae Moussa, Owner of **The Cooks Pantry**, a UK based company that buys products from local rural cooperatives mainly "Atayeb el Rif" and sells them through www.Amazon.co.uk. Amazon is a great medium to create exposure for local Lebanese products. However Mrs. Moussa needs support in building a solid export channel from these cooperatives to the UK to sustain a certain volume of orders to cover shipping costs through increased visibility and a more efficient communication strategy. Another opportunity is for LIVCD to look into other potential new customers in the UK that can purchase The Cook's Pantry's catalog of 63 products (all manufactured, tested, certified, and labeled) and thus increase the overall order quantity to be shipped.

2.4 MONITORING AND EVALUATION

Monitoring and evaluation provides LIVCD management and USAID with reliable, timely information needed to judge whether objectives and results are achieved, and to make strategic management decisions about resources and activities to ensure that objectives and results are achieved. During work plan preparation, LIVCD Value Chain Managers and Cross-cutting Theme Managers utilized the proposed LIVCD Results Framework and two strategic planning tools, the Causal Model and the Gantt Chart, to plan activities for the next 18 months and over the life of the project.

LIVCD RESULTS FRAMEWORK

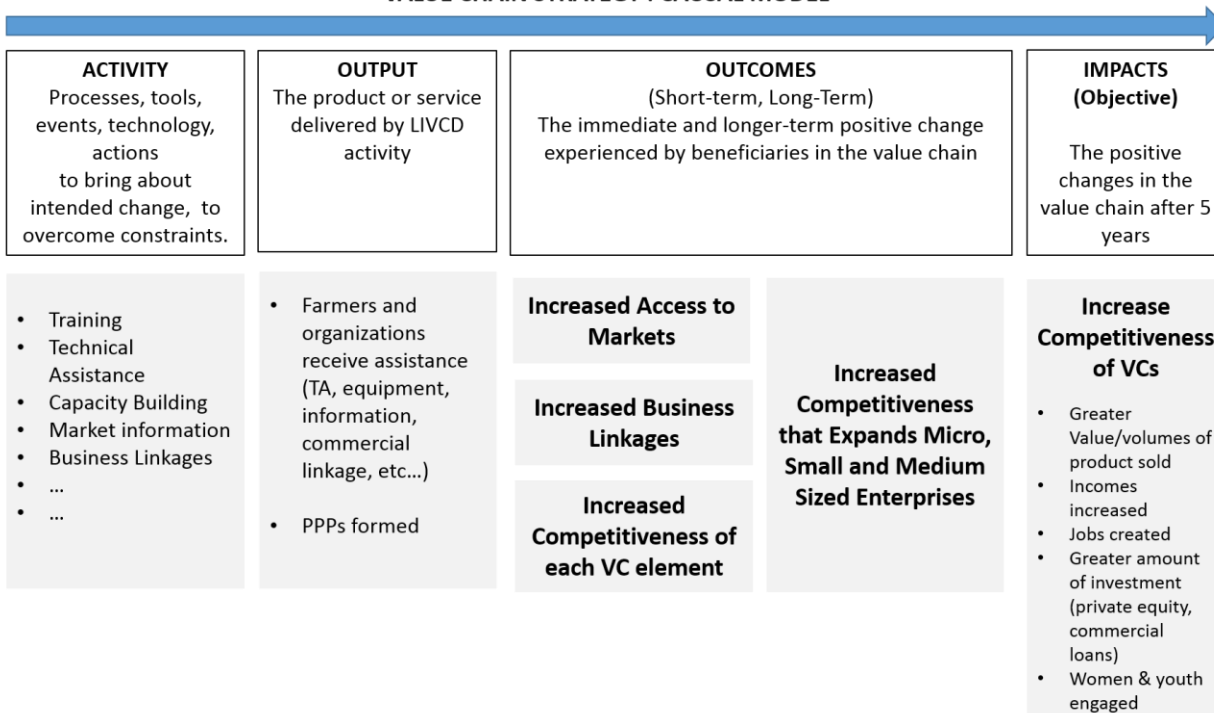


The proposed Results Framework is part of the draft Performance Management Plan, and will be submitted to USAID for approval as part of the PMP.

The Causal Model is a strategic planning tool that lays out activities, outputs, outcomes, impacts and targets. It helps planners identify and confirm alignment between the proposed activities and tasks proposed for each value chain, and the expected outputs from each activity (the products or services delivered by the LIVCD activity), and the expected outcome from these outputs (immediate benefits to the stakeholders in the targeted value chain), and finally the overall impact or positive long-term change in the targeted value chain – specifically, increased competitiveness of the value chain.

The managers will continue to use these strategic management tools during implementation for performance management at the value chain / cross cutting theme intervention level. Managers will monitor progress against the value chain work plan and identify where expected outputs, outcomes or impact are not being achieved, in order to modify activities as necessary to achieve the expected results.

VALUE CHAIN STRATEGY : CAUSAL MODEL



LIVCD Performance Management Plan (PMP)

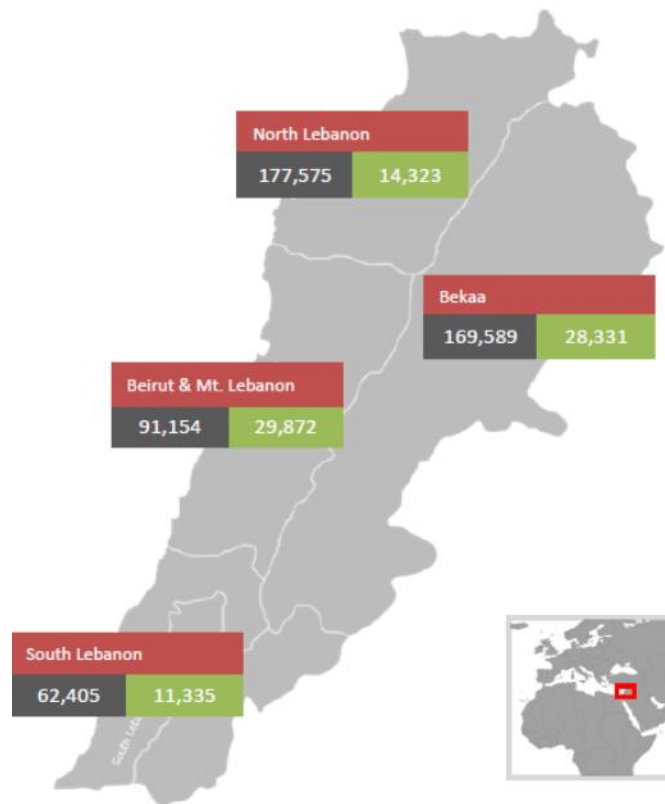
During the quarter, the LIVCD team completed the draft Performance Management Plan (PMP) and shared it with USAID, based on the LIVCD Results Framework and Causal Model, and the Work Plan. The final PMP will be revised based on USAID feedback next quarter.

The PMP defines a set of performance indicators, which indicate the extent to which LIVCD has achieved the expected outputs, outcomes and objectives as specified in the Results Framework and Causal Model. The Performance Indicators provide meaningful information to project management regarding the progress of project activities in achieving the expected project results, to facilitate management decisions regarding project activities and the course of project implementation.

2.5 VALUE CHAIN INTERVENTIONS IN TARGETED LEBANESE COMMUNITIES

By July 3rd, 2013, 584,584 Syrian refugees were registered or waiting registration with UNHCR in Lebanon. These refugees are spread in all over the country according to the following map.

As UNHCR stated in the Regional Response Plan 5, refugees in Lebanon are hosted in over 1,200 locations across the country, straining the capacities of local responders and putting severe pressure on public services and jobs. The living conditions of refugees and other displaced persons are increasingly difficult, and with the crisis entering its third year, the resources of both displaced and host communities are diminished.



Syrian refugees Lebanon, July 3, 2013

Starting this quarter, in response to USAID's request, LIVCD began implementing value chain interventions identified to support Lebanese communities most critically impacted by the Syrian crisis. These interventions are implemented in partnership with local partners, including NGOs, cooperatives, and private sector partners aiming to increase income for Lebanese communities affected by the Syrian conflict through activities within the parameters and scope of LIVCD. Accordingly, LIVCD has been identifying community projects that can be supported in the short term and linked to one or more value chain including such projects as beekeeping, free-range egg production, support to agricultural production and processing, and handicraft training and production. During the quarter, four related projects were launched while other projects are still being further developed with local partners for USAID approval.

This grant was initiated on April 15th covering 10 villages in Akkar area (Aydamoun/ Cheikhlar, Kfarnoun, Menjez, Rmeh, Qobayat, Hmayra, Machta Hasan, Dbebyeh, Chadra, Ouyanat. The project is implemented in partnership with **North LEDA**, where 4,000 layer chickens and 15 tons of feed were delivered on April 29th benefiting 147 families who received 25 to 50 chickens per household. Though upon training and distribution only 25 women (17% of total direct beneficiaries) could be counted as direct beneficiaries, the follow-up and support later is proving that almost all families include women in feeding, taking care of the chickens, collecting the eggs, and selling the eggs. When it comes to home consumption, it is mainly the women who are responsible.

Upon selection of the communities, North LEDA with concurrence from LIVCD identified beneficiaries who participated in one of two training sessions. The Agricultural Association Cooperative of Chadra assisted with identification of families to receive the chickens, and helped to provide the necessary information for free-range egg production, in particular related to coop construction, breeding, and vaccination in order to reach optimum productivity. The training was attended by 129 beneficiaries (over 80% of all beneficiaries.)



Chickens for free-range eggs production at a beneficiary's backyard in Qobayat

Since the startup of the project, North LEDA has been monitoring the project on a regular basis to ensure that beneficiaries are implementing the training and to coordinate with communities regarding production and sales of eggs. So far, they have submitted two monthly reports in May and June with graphs showing total eggs produced, lost eggs, and sold eggs. The chickens recently started laying eggs and are expected to increase production, and hence sales of eggs, on condition that the beneficiaries abide by the instruction of the technical team and continue to provide feed.

The LIVCD technical team also visited the project and visited around 20 families to evaluate hygiene and handling practices of coops, chickens, and eggs. Overall feedback appeared to be positive as the visited households started collecting eggs and they were satisfied with the quality of chickens and eggs. However, the grantee and the cooperatives mentioned that families would need support for egg collection and marketing to sell to local supermarkets.

1. Beekeeping

During the quarter, LIVCD delivered 500 hives and beekeeping equipment to beekeepers, through the **Agricultural Association Cooperative of Chadra** covering 12 villages in Akkar. Beneficiaries' first feedback from the hive distribution is positive: Beekeepers appreciated the quality of hives provided, which they will use for honey production but also for breeding, and the selection of fertile queens from Italy, and bees from Egypt.

The 130 small beekeepers were provided in addition to the hives, beekeeping tools including suits (gloves and head nets), beekeeping smokers, and hive knives. The list of beneficiaries was prepared and the criteria for selection was based on the beekeeper's income, and the number of hives owned (selection of small beekeepers with less than 40 hives). The beekeeper's also must be an existing member in the Cooperative or listed in FAO statistics.

Caritas is the grantee and is following up with the beneficiaries on a regular basis and coordinating with LIVCD regarding any additional intervention such as training needed by the beekeepers. In fact, the initial report received from beekeepers showed their need to learn more how to take care of their beehives. The LIVCD team followed up on this issue with the two suppliers of beehives who subsequently conducted field visits where they verified that all the hives were maintained in good condition. It appeared, however, that some of the beekeepers require more technical support which was provided in subsequent visits.

Beekeepers will collect the honey towards the end of summer and can extract honey twice a year if they move the hives during winter to warm areas and take them back during summer to mountainous areas to ensure that bees can have suitable pastures and proper weather conditions.

The monitoring reports submitted by Caritas show that some farmers require additional trainings, in particular on diseases. On the positive side, all distributed hives and queens are alive and all beekeepers are appreciative of this support and LIVCD will connect this intervention to the rural basket and the honey value chains to ensure continuity of support and facilitation of market access for beekeepers.

2. Handicrafts:

Starting in May, LIVCD established a partnership with "Atayeb el Rif" focusing on increasing the income of women through sales of handicraft produced as result of training courses.



Sample of soap decoration crafts made by one of the trainers in Cana

Atayeb el Rif (Rural Delights) identified 120 female beneficiaries selected from the communities in Batroun, Zgharta, Koura and Donnieh. These areas were selected as they have an increasing number of refugees. There are many poor Lebanese families residing in these areas. Moreover due to fierce clashes in Tripoli during this quarter LIVCD avoided the area around Tripoli for security reasons. The beneficiaries were pre-selected through local visits and focus groups in collaboration with different local NGOs and associations already working in the field on similar topics and objectives.



Women from Zgharta, Beddawi and Minieh took part in three focus groups to discuss the feasibility of Handicrafts and food processing interventions in these priority regions

The project consists of customized transfer of technology trainings, utilizing small group sessions and a handbook. After the initial training, a trial production period will take place with technical assistance from Atayeb el Rif. For this purpose, each of the 120 women will receive a toolkit to support the handicraft production. Women are encouraged to contact local shops, but are also being supported to exhibit as a group in exhibitions around the country. This project will be linked to the rural tourism value chain.

The production of handmade local soap- including decorations, accessories, and innovative attractive products – will allow the 120 trained women to receive additional income for their households. The increase is estimated to be around \$100-\$150 per household per month. Overall, the desired outcome of this project is to increase the social skills of resource poor marginalized women in a sustainable and participatory manner. The security situation caused delays in the trainings which are now set for the second and third week of July.

3. Thyme cultivation:

The Thyme cultivation project targeting 450-500 families in eight villages at Lebanese Syrian border in Akkar area was launched mid-June. This project is implemented in partnership with the Agricultural Association of Chadra who will contribute 100,000 thyme plants (an average of 200 plants per household) in addition to providing training in planting, harvesting, processing, sorting, and milling.

At the moment, the Agricultural Association of Chadra is finalizing the list of beneficiaries who will benefit



Thyme has the potential to increase income of disadvantaged rural households

from the project, and is preparing the thyme plants in a greenhouse before moving them to small pots outside. During the summer season, the association will provide beneficiaries who have space next to their houses to plant the thyme and who can irrigate the plants with 200 plants each. However, the main distribution is planned to take place once the rainy season starts in October or November to ensure that the plants do not die because of heat or lack of water. The Agricultural Association of Chadra is also preparing the training curricula, and the monitoring forms which will document the number of plants received by each beneficiary, the date of planting, and location and surface of the plot.

New potential grants

LIVCD is also currently working on the following proposals:

- LIVCD submitted a proposal for a new grant on July 1st for **distributing free range chickens in Northern Bekaa**, to be implemented by the Lebanese Organization of Studies and Training (LOST). The activity consists in distributing 6,000 chickens to 200 Lebanese families (an average of 30 chickens per family) who are living in villages in Northern Bekaa in Baalbeck and Hermel areas.
- **Food processing project' in the Bekaa - Jana al Ayadi:** LIVCD prepared a concept paper based on meetings and field visits to Deir el Ahmar. Jana Al Ayadi Cooperative was officially established in 2006; it includes 45 women from Deir Al Ahmar Village and the neighboring localities and has activities involving processing fruits and vegetables.

In addition, the team travelled to Wadi Khaled on May 17th, to attend an open discussion between international organizations working in the region and representatives from several municipalities. With over 22,000 Syrian refugees currently present in the region, the situation has worsened and municipalities are urgently requiring rapid and efficient assistance. Agriculture appears to be the main alternative for income generating activities, though the region also lacks road and water infrastructure, as well as technical and agricultural support and access to market opportunities.

LIVCD also discussed with Mr. Bilal Ayoubi the potential of working together. OTI currently works with communities on conflict resolution issues, and supports youth-led initiatives and civil society organizations through capacity building in IT skills, social interventions, and awareness and social cohesion training in order to decrease the tension among communities. OTI can collaborate with LIVCD to provide agriculture equipment that would support revenue increases and job opportunities, in particular in Wadi Khaled and Akroum.

2.0 STAFF AND ORGANIZATION

LIVCD filled some key positions, including the Production Training Specialist, a Value Chain Leader, the Agricultural Processing Specialist, Cross-cutting PPP Specialist, and the IT Manager. The LIVCD COP travelled to Egypt and met with the USAID mission and Contracting Officer (CO) to discuss several matters related to LIVCD, including long-term staff and grants under contract. In addition, LIVCD is searching for regional offices and visiting locations in Saida, Jezzine, Tripoli, and Zahle. The contract lease was signed for the Saida and Jezzine offices.

Field Accounting System (FAS) Specialist Vahe Sahakyan visited Lebanon from May 21st to June 5th to customize and test the LIVCD's FAS database and conduct training for LIVCD's finance and accounting staff.

3.0 KEY DELIVERABLES

DAI prepared and submitted for USAID approval a set of key documents per the contract:

- An LIVCD Fact Sheet including a brief description of the project and its components was submitted; however the final Fact Sheet must be reviewed by USAID's Communications and Outreach team.
- Weekly reports: Since October 30, LIVCD submitted 35 weekly reports to USAID, highlighting completed and upcoming activities and other project updates.
- Assessments:
 - Value Chain Assessments reports were submitted by early May.
 - LIVCD Macroeconomic and sector assessment: April 1, 2013
 - LIVCD Access to Finance Assessment: April 4, 2013
 - LIVCD NGO Capacity Building Assessment: April 5, 2013
 - LIVCD Market Intelligence Report : April 10, 2013
 - LIVCD Rural Business Enabling Environment Report Final: April 19, 2013
 - LIVCD Business and ancillary services: May 7, 2013
 - LIVCD Further analysis on non-agricultural value chains report: May 21, 2013
- Letter to USAID on May 21st with the suggested list of value chains for project's intervention
- Work plan and the PMP were submitted on June 4th

4.0 CHALLENGES AND OPPORTUNITIES

Challenges

- Many agricultural value chains employ a high level of non-Lebanese labor.
- Lebanese behavior and lack of responsibility towards public property in particular challenges the tourism value chain.
- LIVCD's inability to work with the Government results in lack of necessary support for some initiatives.
- The possibility to face export constraints due to regulations from the ministries and the Lebanese government.
- The difficulty to offer loans versus grants to local actors in the same rural communities (limited budget for grants).
- In all value chains, many marketing, export, and wholesale constraints appear, in particular the exporters' lack of experience and knowledge, and financial strength to develop export markets.
- In addition, prospects for sales both to the domestic and export markets are best in fresh products for the highest quality levels, which is difficult to meet due to the large number of fragmented producers and also the generally low volumes and multiplication of exporter/packers.
- Some resistance in traditional value chains (pome fruit) to changes in production and post-harvest, cold chain infrastructure
- Lack of financial capacity of smaller farmers to self-finance production upgrading, poor quality and high priced planting material.
- The ongoing crisis in Syria is complicating future projects' implementation in the border towns and villages.
- The time needed for varieties modifications in particular for trees crops will delay impact beyond the project's lifetime.
- Overall security concerns could impact implementation and force LIVCD to work in limited locations.

Opportunities

- LIVCD was favorably welcomed by the Lebanese development and agriculture community and potential partners.
- The project built a strong network of relationships, based on meetings conducted and the experience of LIVCD staff members. This large list of stakeholders will help to create partnerships and collaboration across the project.

- A systematic approach building on USAID and other donors' projects will allow significant development of the value chains to a level not experienced previously.
- Possibility for new certifications and regulations that will permit Lebanese products to enter exports markets denied to date.
- The value chain work plans were built based in collaboration with stakeholders which will ensure its adaptability to the value chain constraints and opportunities.
- The eight value chains were selected based on their potential to improve income and create job opportunities for a large number of beneficiaries, and will allow LIVCD to meet project's targets.
- Possibility to obtain information from the Lebanese governmental institutions through project partners.
- The possibility to obtain fast impact on revenue through production improving practices and using new technologies (pruning, irrigation).

5.0 HIGHLIGHTS FOR NEXT QUARTER'S ACTIVITIES

Following the work plan preparation phase, LIVCD will pursue with next quarter's activities:

- Implement the next 18 month work plan upon USAID.
- Organize stakeholders meetings for the Processed Foods value chain.
- Follow-up with the network of stakeholders on the engagements and PPP opportunities that emerged from the various meetings.
- Consolidate, reinforce and expand the network of partners built through contractual agreements, in order to implement value chains upgrading strategies.
- Identify the geographical areas where impact will be the most significant.
- Complete the LIVCD performance monitoring plan (PMP) with a baseline that will allow tracking, measuring, and reporting project-attributable results. This deliverable, along with a baseline survey will be prepared and submitted for USAID approval.
- Pursue the implementation of the value chain activities in Lebanese Communities affected by the Syrian conflict and initiate new grants for additional project and/or extended areas.